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FISCAL IMPACT STATEMENT

LS 7525

BILL NUMBER: HB 1002

NOTE PREPARED: Mar 17, 2011

BILL AMENDED: Mar 17, 2011

SUBJECT: Charter Schools.

FIRST AUTHOR: Rep. Bosma

FIRST SPONSOR: Sen. Kruse

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill does the following:

Health Insurance: This bill allows charter schools to opt in to the state health insurance plans.

Charter School Board: The bill establishes the Charter School Board as a statewide sponsor of charter schools.

Sponsors: The bill adds nonprofit private colleges and universities as eligible charter school sponsors.

Accountability: The bill establishes certain accountability criteria for charter school sponsors, and places charter schools under accountability standards for public schools. The bill adds: (1) student academic growth; (2) financial performance and stability; and (3) board performance and stewardship; to the list of items to be included in a charter school's charter.

Transfer of Credits: The bill requires uniform and consistent transfer of credits for students who transfer from a charter school to another public school.

Conversion Charter Employees: The bill stipulates that a teacher in a conversion charter school may be an employee of the charter school or the school corporation as determined in a charter school's charter.

Virtual Charter Schools: The bill ends the virtual charter school pilot program, and allows existing virtual charter schools to seek sponsors.

Fees: The bill sets out the conditions, accounting process, and reporting procedures for a charter school sponsor concerning the collection of fees from its sponsored charter schools.

Website: The bill requires the Department of Education to establish a charter school page on the Department's Internet web site.

Charter School Loans: The bill establishes the Charter School Facilities Aid Program and the Charter School Facilities Revolving Loan Program.

Conversion Charter Schools: The bill changes the procedure for converting a public school into a charter school.

Buildings: The bill establishes a process by which charter schools may lease unused, closed, or unoccupied school buildings that are maintained by school corporations and are not being used for classroom instruction.

Interest Payments: The bill cancels interest payments on advances made to charter schools from the Common School Fund.

The bill makes conforming changes.

Repealers: The bill repeals provisions concerning the number of charter schools an executive of a consolidated city may sponsor and that include teachers in a conversion charter school in the school corporation's bargaining unit.

Effective Date: Upon passage; July 1, 2011; January 1, 2012.

Explanation of State Expenditures: *Health Insurance:* There might be some minor impact if the inclusion of the charter schools affected the health experience of the state employee health plan as a whole. The impact of the provision should be very minor since the charter school would pay the insurance premiums.

(Revised) *Charter Board:* The bill would create the a seven-member Charter Board. The board would consist of:

1. Two persons appointed by the Governor,
2. One person appointed by the State Superintendent of Instruction.
3. One person, who may not be a legislator, appointed by the President Pro Tempore of the Senate.
4. One person, who may not be a legislator, appointed by the Minority Leader of the Senate.
5. One person, who may not be a legislator, appointed by the Speaker of the House of Representatives.
6. One person, who may not be a legislator, appointed by the Minority Leader of the House of Representatives.

The members of the Board are eligible for salary per diem and travel expenses. The Department of Education (DOE) shall provide staff to carry out the duties of the Board. Funding for the Board comes from a fee charged to charter schools based on 3% of their basic tuition support. The fees should cover the administrative costs of the Board.

(Revised) *Sponsors:* The bill would allow the following entities to sponsor charter schools:

1. Schools.
2. State educational institutions that offer four-year associate or baccalaureate degrees.

3. The mayor of Indianapolis
4. The Charter Board.
5. A nonprofit college or university.

The bill could increase the number of charter schools in the state. Currently, a charter can be sponsored by a school corporation, a state educational institution, or the mayor of Indianapolis. There are currently about 62 charter schools that educate about 22,000 students. Of the 62 charter schools, 35 were sponsored by Ball State University and 23 were sponsored by the mayor of Indianapolis.

Website: The DOE would have to establish a charter school page on the Department's website. Included on the website, in addition to other specified information, would be a list of unused facilities owned by each school corporation. DOE would incur some minor costs creating and maintaining the website. Placing the list on the website would not increase costs.

Virtual Charters: The bill changes the current virtual charter school formula from 80% of the statewide average basic tuition support to 90% of the average. There is currently a 500-student enrollment limit for virtual charter schools in 2011. However, this bill eliminates the cap on the number of students that may be enrolled in a virtual charter for years beginning in 2012. The impact of changing the 80% to 90% would increase virtual school revenue by about \$283,000 for the current number of students. The impact on future school formulas would depend on if the increase caused the school formula to exceed the calendar year maximum. If it did, then the increased costs would be spread among the other school corporations on a percentage basis and there would be no increase in state expenditures. However if the change in reimbursement increased expenditures under the maximum cap for tuition support, the change would increase state expenditures by that increment.

Indiana Finance Authority: This bill allows the Indiana Finance Authority to make loans from the proceeds of grant anticipation revenue bonds to the Charter School Facilities Aid Fund or to the Charter School Facilities Revolving Loan Fund. These loans would be secured by the pledge of grant revenue awarded to the DOE or by credit enhancements, guaranties, or pledge of one or more bonds, notes, warrants, or other secured or unsecured debt obligations of users or developers of an educational project funded through the Charter School Facilities Aid Fund or to the Charter School Facilities Revolving Loan Fund.

Charter School Loans: The bill establishes the Charter School Facilities Aid Program and the Charter School Facilities Revolving Loan Program.

The Charter School Facilities Aid Program and Fund are established to provide grants to assist charter schools in financing charter school building projects, general improvements to these buildings, and repayment of debt for charter school projects. DOE will administer the program, and expenses for administering the program will be paid from money in the fund. Money in the fund does not revert at the end of the fiscal year. The fund may consist of state appropriations, gifts, federal grants, and proceeds from grant anticipation revenue bonds issued by the Indiana Finance Authority. DOE may authorize money in the fund to repay grant anticipation revenue bonds or other bonds issued by the Indiana Bond Bank.

The Charter School Facilities Revolving Loan Program and Fund are established to provide loans to charter schools for the constructing, purchasing, renovating, and maintaining of charter school facilities. DOE will administer the program, and expenses for administering the program will be paid from the fund. The fund would consist of state appropriations, repayment of loans, gifts, federal grants, and proceeds from grant anticipation revenue bonds issued by the Indiana Finance Authority. Money in the fund does not revert at

the end of the fiscal year. DOE shall determine the maximum amount allowed for loans, interest rates, and other terms of the loans. Charter schools receiving a loan shall repay the loan from state tuition support and other resources available to the school. DOE shall withhold the amount of debt service obligations due in a year from the charter school's tuition support, and the Auditor shall transfer the amount withheld to the Revolving Loan Fund.

Explanation of State Revenues: (Revised) *Fees:* The bill allows additional sponsors of charter schools to charge an administrative fee to the organizer of the individual charter school. Currently, only a state educational institution may charge a maximum fee of 3% of a charter school's basic tuition support to the charter school organizer. This bill would also allow the mayor of a consolidated city, a nonprofit college or university, and the Charter Board to charge an administrative fee up to the 3% maximum. If the fees were applied to current charter schools, the maximum fee would vary from \$4,000 to \$300,000 per charter school. The average would be about \$75,000.

(Revised) *Common School Fund Loans:* The bill would eliminate interest payments due by charter schools for Common School Fund advancements for FY 2012 and FY 2013. The outstanding balances of advancements as of January 1, 2010, were about \$65.2 M. The advancements had an interest rate of 4%. The loss in interest revenue would be about \$2.5 M annually.

Explanation of Local Expenditures: *Transfer of Credits:* The transfer of credits from a charter school to a public noncharter school should have no fiscal impact.

Conversion Charter Employees: The bill could reduce the cost of conversion charter schools. Currently, charter school employees are employees of both the charter school and the sponsoring school corporation. The provision could reduce conversion charter school costs.

(Revised) *Buildings:* The bill could reduce the maintenance expenditures on closed or unused school educational buildings if buildings are used and maintained by charter schools. DOE would maintain a list of unused school educational buildings. A charter school would notify DOE of the charter school's intent to use the building. The school corporation would then be required to lease the used school building for \$1 a year for a term of the charter school's discretion. The charter school could also purchase the building for \$1. A school building on the DOE list for 48 months could be sold or disposed of by the school corporation.

It is unknown how many school buildings are being maintained by school corporations that are not used for educational purposes. The savings are probably minor.

(Revised) *Conversion Charter Schools:* The bill would change the procedure for establishing a charter school. Currently, the conversion from a public school to a charter school requires both a petition where 60% of the teachers at the school request the conversion and a petition where 51% of the parents of students at the school request the conversion. The bill would allow conversion if either the school board votes in favor of conversion or 51% of the parents of students at the school and 51% of the teachers sign a petition requesting the conversion within 90 days from the first signature. The impact would depend on the number of conversions. To date there has been one school that has converted to a charter school.

Explanation of Local Revenues:

State Agencies Affected: Department of Education.

Local Agencies Affected: Charter schools; School corporations.

Information Sources: Treasurer of State; Auditor of State; Department of Education databases.

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